

Testimony Submitted to the General Law Committee Regarding House Bill
6389,

“An Act Transferring the Responsibilities of the Division of Special Revenue,
Consumer Counsel, Healthcare Advocate and State Board of Accountancy to
the Department of Consumer Protection”

Senator Doyle and Representative Taborsak, distinguished members of the General Law Committee, I am Martha S. Triplett, a practicing Attorney in Wallingford and a public member of the Connecticut State Board of Accountancy, this testimony is submitted as additional information for your review as you consider the transfer of the State Board of Accountancy into the Department of Consumer Protection.

This bill would transfer the responsibilities for licensing and regulating Connecticut's professional accounting profession to the Department of Consumer Protection. Governor Malloy's recommended budget would eliminate the sole professional in the State Board of Accountancy (SBOA), the Executive Director, and transfer two clerical positions to the Department of Consumer Protection (DCP). The proposed budget would look like this:

Personal Services for two positions	\$109,396
Other Expenses	<u>33,363</u>
<u>Total</u>	<u>\$142,759</u>

The Executive Director of the SBOA has over twenty years of experience with the SBOA; losing his expertise will have potentially disastrous consequences for SBOA customers. SBOA customers include the following:

- The public, who depend on the SBOA to ensure Certified Public Accountants (CPAs) are qualified, competent and ethical;
- Connecticut state government which depends upon the accurate submission of tax revenues the filings for which are often prepared by CPAs and
- Connecticut's financial system (including banks, insurance companies and inventory suppliers) which is built on the trust created by a CPA profession held to SBOA enforced ethical standards.

The SBOA is far more than a licensing board; its responsibilities include:

- Determining initial and continuing competency of those holding the CPA certificate;
- Establishing rules and regulations to ensure that CPAs fulfill their public protection mandate and
- Taking enforcement actions against CPAs who harm the public.

In the twenty-two years that the Executive Director has been at SBOA, there have numerous occasions when enforcement actions have been necessary to protect the public. Most recently, the high profile

case involving the Madoff ponzi scheme became part of the SBOA's regulatory workload. While this case is not yet resolved, it is clear that many citizens were financially ruined by Mr. Madoff's actions.

Bad things happen when CPAs do not do their jobs well or ethically. The Enron case, or the debacles of our financial system in 2008, illustrate the importance of ensuring that the accounting profession is held to a high professional standard, both at the time of initial licensing, and throughout the careers of these professionals. The SBOA is the only regulatory body in Connecticut standing between innocent consumers and unscrupulous CPAs. And, there is only one person who has the experience to regulate the CPA profession in Connecticut and his job is eliminated in this proposed budget.

Over the past four years, as the state's financial situation has deteriorated, the SBOA has diligently reduced its budget. In the Other Expenses area, for instance, funding has been reduced by two-thirds, one of the most substantial percentage reductions among all state agencies. Even with a vastly reduced budget, the Executive Director has limited his use of Other Expenses, spending only about \$12,000 so far this year. This compares to a "normal year" budget in excess of \$75,000.

In the Personal Services area, this year, there is expected to be a substantial lapse of as high as \$50,000. The SBOA attorney left in September; while approval was given to refill this important position, it has been held up pending resolution of the budget. Historically, SBOA had its own attorney because accounting law is so specialized and few understand its intricacies.

The Other Expenses budget, as recommended, does not include necessary funding to move the SBOA to the DCP or costs to archive its current records. It also does not include the severance costs (including accruals) required for laying off the long-term Executive Director, who is a national leader in the regulation of the accounting profession. It is unclear, once these other variables are added in, whether this recommendation would save money or not. What is clear, however, is that two clerical positions would not be sufficient to provide the watchdog, regulatory functions that have been entirely done by the longterm Executive Director. There are no staff at the DCP who would be qualified to provide this regulatory function.

To summarize, the SBOA is a lean state agency tasked with the regulation of the accounting profession. At every instance, the SBOA has been a willing partner in saving state resources. The absorption of the SBOA into DCP without the appropriate staffing would hurt the SBOA customers, including the public who depend on the integrity of CPAs.

STATE BOARD OF ACCOUNTANCY OTHER EXPENSES FROM FY 2007

YEAR	OE	COMMENTS
FY 2007	75,128	Last "normal year"
FY 2008	97,331	add of \$25,000 for credit cards
FY 2009	71,369	subtract credit card add (actual expenditure)
FY 2010	45,154	see below
FY 2011	27,199	see below

Calculation
of FY 2010
OE Funding

158,357	FY 2010 Appropriation
(3,895)	Generic OE Reduction
(16,271)	Consultants
(63,902)	To FY 2007 Level
(29,135)	DOIT
45,154	NET FUNDING

Calculation
of FY 2011
OE Funding

77,863	FY 2010 Appropriation
(30,708)	Less DOIT Charges
47,155	Amended FY 2011 Appropriation
OPM B-1	
Adjustments	
(16,271)	Consultants
(3,685)	Generic OE Reduction

27,199 **NET FY 2011 FUNDING**

Change from FY
2007:

-64%

